

Introduced by Senator Escutia

February 21, 2003

An act to add Chapter 31 (commencing with Section 22942) to Division 8 of the Business and Professions Code, relating to hospital group purchasing organizations.

LEGISLATIVE COUNSEL'S DIGEST

SB 749, as introduced, Escutia. Hospital: group purchasing organizations.

Existing law does not regulate group purchasing organizations purchasing medical supplies used by hospitals.

This bill would require a hospital group purchasing organization doing business in this state to adhere to and implement certain code of conduct principles.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Hospital spending in California is taking on a new
4 importance, especially with rising hospital costs and inability of
5 hospitals to afford the nurses or other medical personnel they need.

6 (b) Most health care costs are paid indirectly by taxpayers
7 through programs like Medi-Cal and by private insurers.

8 (c) Many hospitals purchase medical supplies through group
9 purchasing organizations (GPOs), which use their collective
10 purchasing power to obtain the best prices for those supplies.

(d) Reform is necessary to ensure that group purchasing organizations meet their own ethical standards and promote, rather than hinder, innovation in the medical device field.

SEC. 2. Chapter 31 (commencing with Section 22942) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 31. HOSPITAL GROUP PURCHASING ORGANIZATIONS

22942. For the purposes of this chapter, a “group purchasing organization” is an organization that uses the combined purchasing power of its hospital members to obtain the best prices for medical supplies used by hospitals.

22942.1. Each group purchasing organization doing business in this state shall adhere to and implement the following code of conduct principles:

(a) Management employees, other employees who are in a position to influence contracting decisions by the group purchasing organization, and nonemployee officers, directors, and advisory board members may not accept any gifts, entertainment, favors, honoraria, or personal services payments from any vendor with whom the group purchasing organization contracts. This subdivision shall not apply to items or amounts of nominal value.

(b) A group purchasing organization or any of its employees, officers, directors, and advisory board members described in subdivision (a) may not have any corporate equity interest in any of its vendors unless that interest is fully disclosed to the members of the group purchasing organization.

(c) A group purchasing organization may not engage in “bundling,” which is the practice of packaging unrelated products in a single contract whereby a member of the group purchasing organization is required to buy the entire package in order to get the best price on a particular item included in the package.

(d) A group purchasing organization shall disclose to its members the payments it receives from vendors with respect to purchases made by or on behalf of the members. The disclosure shall distinguish between payments that are related to actual purchases as well as payments that are not allocable to actual

- 1 purchases. Each member shall receive an annual statement of all
- 2 vendor payments received for those purchases.

O

